

Message Text

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PAGE 01 NEW DE 03161 021524Z

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 COME-00 CIAE-00 INR-07 NSAE-00

AID-05 /030 W

----- 089364

R 021305Z MAR 76

FM AMEMBASSY NEW DELHI

TO USDA WASHDC

SECSTATE WASHDC 4377

LIMITED OFFICIAL USE NEW DELHI 3161

E.O. 11652: N/A

TAGS: EAGR, IN

SUBJECT: FOODGRAIN STORAGE DEFICIT

1. THE MARGIN BETWEEN A SCARCITY AND A SURFEIT OF FOODGRAINS IN INDIA IS EXTREMELY NARROW. THIS CONTRAST IS APTLY ILLUSTRATED BY THE SHARP DIFFERENCE BETWEEN SUPPLY CONDITIONS EARLY LAST YEAR AND THOSE CURRENTLY PREVAILING. A 1974-75 FOODGRAIN HARVEST OF 101 MILLION TONS AND DEPLETED RESERVES FORCED THE GOVERNMENT TO RELY HEAVILY ON IMPORTS TO MEET REQUIREMENTS. WITH AN EXPECTED INCREASE IN PRODUCTION DURING THE CURRENT CROP YEAR (1975-76) OF AROUND 10 PERCENT, GOVERNMENT OFFICIALS ARE FACED WITH THE SERIOUS PROBLEM OF FINDING STORAGE SPACE FOR THE ADDITIONAL 10 MILLION TONS. FACTORS RESPONSIBLE FOR THIS DILEMMA ARE AN EXPECTED RECORD PRODUCTION OF FOODGRAINS, CONTINUED HEAVY INTERNATIONAL PURCHASES OF WHEAT, THE PRESSURE TO BOLSTER WEAKENING DOMESTIC FOODGRAIN PRICES BY HEAVIER THAN ANTICIPATED PUBLIC PROCUREMENT, AND A SUBSTANTIAL DECLINE IN OFFTAKE FROM THE PUBLIC DISTRIBUTION SYSTEM.

2. OPENING STOCKS OF FOODGRAINS IN EARLY JANUARY 1975 OF 2.4 MILLION MT, IMPORTS DURING CY 1975 OF AN ADDITIONAL 7.4 MILLION TONS, THE DOMESTIC PROCUREMENT OF APPROXIMATELY 9.2 MILLION TONS, AND THE PUBLIC DISTRIBUTION OF SOME 11.0 MILLION TONS LEFT THE GOI WITH STOCKS ON JANUARY 1, 1976 OF ABOUT 8.0 MILLION MT, (INCLUDES OPERATIONAL STOCKS OF 2.5 TO 3.0 MILLION TONS). IMPORTS

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PAGE 02 NEW DE 03161 021524Z

DURING JANUARY AND FEBRUARY ADDED ANOTHER 1.2 MILLION TONS (670,000

MT AND 550,000 MT RESPECTIVELY) AND PURCHASES THROUGH JUNE ARE EXPECTED TO BRING THE IMPORT TOTAL TO BETWEEN 3.0 TO 3.5 MILLION. DOMESTIC PROCUREMENT FOR JANUARY-JUNE, ESTIMATED AT AROUND 6.0 MILLION TONS, WILL BRING TOTAL SUPPLIES TO BETWEEN 17.0-17.5 MILLION TONS BY THE END OF JUNE. OFFTAKE THROUGH THE PUBLIC DISTRIBUTION SYSTEM IS CURRENTLY PROJECTED AT BETWEEN 4.0-4.5 MILLION TONS DURING JANUARY-JUNE 1976, THUS LEAVING THE GOI WITH THE NEED TO STORE SOME 13-14 MILLION TONS OF GRAIN AT THE ONSET OF THE 1976 SUMMER MONSOON.

3. ALTHOUGH ATTEMPTS ARE CURRENTLY UNDERWAY TO BRING THE GOVERNMENT'S TEMPORARY CAP (COVER AND PLINTH) STORAGE CAPACITY UP FROM THE PRESENT 600,000 MT TO CLOSE TO 1.0 MILLION TONS DURING THE NEXT SEVERAL MONTHS, THE TOTAL STORAGE SPACE OWNED AND LEASED BY THE FOOD CORPORATION OF INDIA (FCI) BY JUNE IS EXPECTED TO ACCOMMODATE ONLY AROUND 10.5-11.0 MILLION TONS, LEAVING A STORAGE DEFICIT OF 2.0 MILLION TO 3.5 MILLION TONS. OF THE TOTAL ANTICIPATED STORAGE AVAILABLE, SOME 2.0-3.0 MILLION TONS WILL BE OF A TEMPORARY NATURE.

4. ASIDE FROM THE LACK OF STORAGE SPACE FOR 2.0 TO 3.5 MILLION TONS, THE SITUATION IS FURTHER EXACERBATED BY THE FACT THAT THE TEMPORARY STORAGE PRESSED INTO SERVICE BETWEEN NOW AND JUNE WILL BE MORE SUSCEPTIBLE TO LOSSES AND DAMAGE FROM RODENTS, BIRDS, INSECTS, OTHER PESTS, AND MOISTURE. THE LATTER WILL BECOME PARTICULARLY ACUTE WITH THE ADVENT OF THE SUMMER MONSOON IN JUNE. THE TOTAL AMOUNT OF FOODGRAIN SUSCEPTIBLE TO THESE LOSSES COULD RANGE FROM 4.0 TO 6.5 MILLION TONS.

5. GOI OFFICIALS CONCEDE THAT STORAGE LOSSES WILL UNDOUBTEDLY BE HIGHER THAN NORMAL BUT ACCEPT IT PHILOSOPHICALLY. TOO MUCH GRAIN TO HANDLE WITH ATTENDANT HIGHER STORAGE LOSSES IS BETTER THAN NOT ENOUGH, THEY RATIONALIZE. NEVERTHELESS, IT IS IRONIC THAT A COUNTRY WHOSE PEOPLE COULD EASILY CONSUME 120 MILLION TONS OF FOODGRAINS WILL LOSE A GREATER THAN NORMAL SHARE OF THIS YEAR'S PRODUCTION BECAUSE IT HAS FAILED TO PROVIDE STORAGE SPACE TO MATCH PLANNED PRODUCTION TARGETS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STORAGE, FEED GRAINS, STOCKPILES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976NEWDE03161
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760079-0533
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197603104/aaaadnst.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUL 2004 by coburnhl>; APPROVED <05 OCT 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOODGRAIN STORAGE DEFICIT
TAGS: EAGR, EPAP, IN
To: USDA STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006